Westlake Group

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February 29, 2000

United States Surface Transportation Board
Office of the Secretary
Case Control Unit,
Attention: STB Ex Parte No. 582,
1925 K Street, N.W. Washington, D.C. 20243-0001

RE: *Public Views on Major Rail Consolidations*

Madam Chairman and Board Members:

In accordance with your instructions regarding STB Ex Parte 582, *Public Views on Major Rail Mergers*, please find enclosed ten copies of the written statement of Westlake Chemical Corporation. Also enclosed is a 3.5-inch computer diskette formatted for WordPerfect 5.0 which is readily convertible into that used by the Surface Transportation Board (Board), WordPerfect 7.0.

The Board has requested that all participants in the hearing submit the name of their speaker and list the persons accompanying them to the Office of the Secretary by March 3rd. It is currently planned for Mr. Fred M. Jones, Vice President, Vinyl's, Marketing and Materials to speak on March 8th.

Should you have any questions please do not hesitate to call.

Respectfully yours,

Fred Jones

Fred M. Jones
Vice President
Vinyl's, Marketing and Materials
Westlake Chemical Corporation

Westlake Chemical Corporation's Written Statement
Under STB Ex Parte No. 582
Public Views on Major Rail Consolidations

The Westlake Chemical Corporation is an integrated chemical producer, which operates two major Plastics and Chemical production facilities in the United States. Our Olefins Division production facilities are located near Lake Charles, LA and our Vinyls Division production facilities are located in Calvert City, KY. In the United States, Westlake produces and sells polyethylene, polyvinyl chloride, vinyl chloride monomer, styrene monomer, caustic soda, ethylene, and propylene. Westlake is a relatively small chemical shipper with total shipments of approximately 2,000,000 tons per year of which 1,300,000 tons per year are by rail.

Currently, the majority of our customers are served by only one railroad. We are, however, able to leverage our business between at least two carriers at both of our production facilities, which gives us some leverage for obtaining competitive rates. Our facility near Lake Charles, LA is accessible to the Union Pacific, the Kansas City Southern and the Burlington Northern Santa Fe railroads. Our Calvert City, KY facility is accessible only to one shortline carrier, the Paducah and Louisville Railroad (PAL). The PAL in turn provides us access to the CSXT and the Norfolk Southern to the east, and the Burlington Northern Santa Fe and the Illinois Central to the west. Competitive and unencumbered access via the shortline carrier is essential for us in order to obtain competitive rates.

From Westlake's perspective, mergers have been both positive and negative to our business. Over the last several years, some mergers have gone reasonably well while others have not. We do not believe that either rail mergers, or the relative size of one carrier to the other, are insurmountable problems in and of themselves. Rather, the problems with rail mergers stem from the structural make up of a proposed combination.

Our negative view of mergers is that access to more than one carrier may not be beneficial because the majority of our destinations will be serviced by only one carrier. In addition, some of the recent mergers have resulted in significant service problems. Historically, if there was a problem on one railroad it could be contained, freight could be routed around geographic areas of congestion and business could be conducted in a relatively efficient manner. Recent history demonstrates that this is no longer the case for some railroads. In our experience, the more parallel lines involved in a merger the greater the number and magnitude of problems occur.

Our positive view of mergers is that the world marketplace requires that the United States have an extensive and viable transportation infrastructure with large and efficient railroads willing to work with their shippers in the partnership approach. This is key in order for the United States to continue to have a leadership role in the world economy. In addition, mergers can have the affect of expanding our markets by allowing us to have customers that could not be economically reached before a merger.

From Westlake's perspective, if the Surface Transportation Board puts the proper safeguards in place, mergers can have substantial benefits to rail shippers. Westlake does not support any merger without an analysis of the benefits that would accrue to rail shippers. Each merger needs to be evaluated on its own merits.

To ensure that shippers obtain the maximum benefit from mergers we recommend the STB implement the following long-term safeguards:

- Ensure that competition for our movements is as economically viable and operationally robust after a merger as it was before a merger. Also, any substitute carrier, at a point which goes from two carriers to one carrier, must be required to aggressively develop business in its new market area. Specific consequences for not accomplishing this need to be established.

- Merging railroads must be held liable for damages resulting from service problems caused by their merger.

- A method of resolving rate disputes must be established to eliminate onerous rates charged to captive shippers.

- "The bottleneck decision", needs to be modified to allow shippers to realistically challenge any portion of a rate.

- Carriers should not be able to restrict markets in which shippers can participate by either operational or economic means. The STB needs to set up a process whereby penalties can be assessed against railroads that abuse their market power.

- We recommend zone switching, as practiced in Canada, be investigated and implemented by the STB in order to foster increased competition within the United States.

- The STB needs to ensure traffic moves through the most direct routes to the customer to include maintaining existing gateways and establishing new gateways if necessary.

We believe these types of safeguards are important for the STB to enact not only for the previous mergers but for future mergers as well. As railroads obtain increasing amounts of market power, the STB needs to ensure that it has an improved system of checks and balances that adequately regulate the future railroad industry.